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THE

Demand and Price

SITUATION

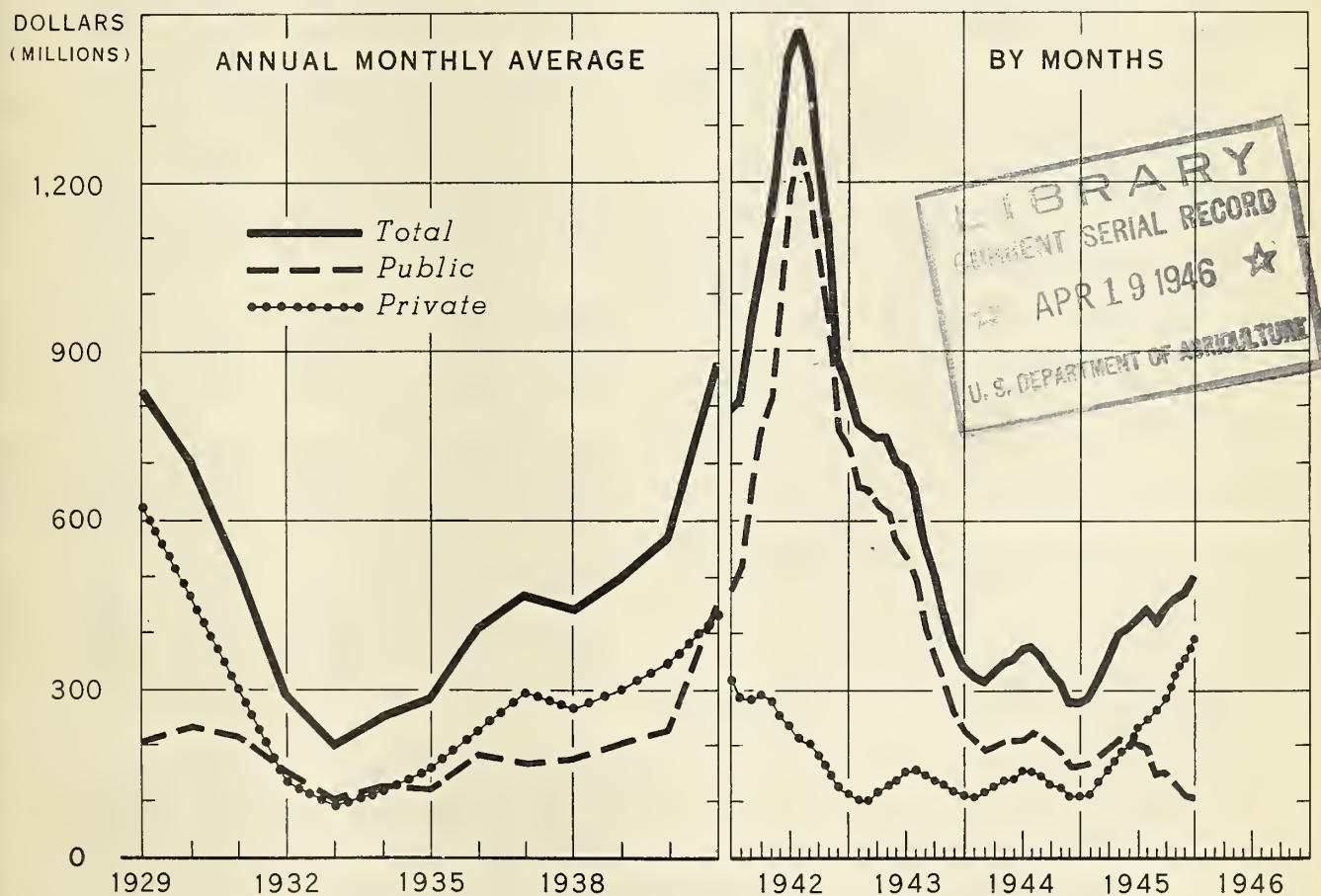
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

BAE

MARCH 1946

NEW CONSTRUCTION ACTIVITY, UNITED STATES, 1929-46



U. S. DEPARTMENT OF AGRICULTURE

NEG. 45892 BUREAU OF AGRICULTURAL ECONOMICS

One of the most favorable factors in the outlook for general business activity and the demand for farm products is the prospect for a sustained rise in construction activity. Private construction has been rising since early last year, but public construction has declined sharply since the summer of 1942. Privately financed construction reached the highest level in almost 5 years in January and, by the end of 1946, may equal or surpass the 1929 level.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Units or base period	1945					1946
		Year	Jan.	Oct.	Nov.	Dec.	Jan.
Industrial Production <u>1/</u>	1935-39						
Total	= 100	203	234	162	168	164	159
All manufacturer	"	214	251	168	173	169	163
Durable goods	"	274	345	186	191	186	167
Nondurable goods	"	166	175	154	158	156	159
Minerals	"	137	140	124	138	133	139
Construction activity <u>1/</u>	1935-39						
Contracts total	= 100	118	84	145	164	188	188
Contracts residential	"	64	34	88	108	137	147
Wholesale prices <u>2/</u>	1935-39						
All commodities	= 100	131	130	131	133	133	133
All commodities except farm and food	"	123	122	123	123	124	124
Farm products	"	169	166	168	173	173	171
Food	"	134	132	134	136	137	136
Prices received and paid by farmers <u>3/</u>	1910-14						
	= 100						
Prices received, all prod.	"	202	201	199	205	207	206
Prices paid, int. and taxes	"	174	172	175	175	176	177
Parity ratio	"	116	117	114	117	118	116
Consumers' price <u>5/</u> <u>6/</u>	1935-39						
Total	= 100	128	127	129	129	130	130
Food	"	139	137	139	140	141	141
Nonfood	"	123	122	124	124	124	124
Income	1935-39						
Nonagricultural payments <u>4/</u>	= 100	236	239	230	232	230	228
Cash farm <u>3/</u>	"	283	278	261	282	282	281
Income of Industrial Workers <u>3/</u> ..	"	276	326	216	220	223	225
Factory payrolls <u>5/</u>	"	295	357	226	226	229	231
Weekly earnings of factory workers <u>5/</u>	Dollars						
All manufacturing	"	44.42	47.50	40.97	40.82	41.43	---
Durable goods	"	49.08	53.54	44.23	43.80	44.33	---
Nondurable goods	"	38.30	38.66	37.76	37.89	38.67	---
Employment							
Total civilian <u>7/</u>	Millions	51.6	50.1	51.6	51.7	51.4	51.4
Employees in nonagri. est. <u>5/</u> ..	Thous.	36,980	37,952	35,216	35,639	36,319	35,839
Farm <u>3/</u>	"	9,844	8,005	11,052	10,747	9,245	7,732
Government finance (Federal) <u>8/</u> ..	Mil. dol.						
Receipts, net	"	3,837	3,556	2,530	2,374	4,118	3,819
Expenditures	"	7,546	8,202	5,950	4,656	5,445	4,891

Sources: 1/ Federal Reserve Board, converted to a 1935-39 base. 2/ U. S. Department of Labor, B. L. S. 3/ U. S. Department of Agriculture, B.A.E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U.S. Department of Commerce. 5/ U. S. Department of Labor, B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Department of Commerce, Bureau of Census. 8/ U. S. Department of Treasury. Data for 1944 are on average monthly basis.

 THE DEMAND AND PRICE SITUATION

Approved by the Outlook and Situation Board, March 25, 1946

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DEMAND FOR FARM PRODUCTS

Domestic demand for farm products continues at high levels, as general economic activity and employment hold near wartime peaks. January income payments to individuals were at an annual rate of about 155 billion dollars, only 5 percent below a year earlier.

General economic activity has been maintained at higher levels than had been expected. All nonwar industries were in a position to hire additional workers as they became available, and employment in the industries reconverting from war products did not decrease in proportion to the cancellation of war orders. More workers than had been anticipated were kept on to clear and alter the plants, install machinery, and make other adjustments necessary to the resumption of production of civilian goods.

Unemployment has been increasing since the summer of 1945 but amounted to only 2.7 million in February 1946. The relatively small increase was due both to the limited reduction in civilian employment and to large-scale withdrawals from the labor force. Unemployment may increase above the February level, but the peak will be much below most of the earlier forecasts made last summer.

... ..
...Moderate declines in wage incomes of factory workers have been partly offset by increased pay rolls in the trades, services, and construction.

Other influences tending to maintain income payments include increases in mustering-out payments to discharged service men and unemployment compensation

If the trend toward labor-management peace continues, the index of industrial production during the next few months will recover much of the loss suffered since last summer. Trade and construction, particularly the latter, will rise sharply. With increased employment and higher wage rates in prospect it is likely that income payments in the year 1946 may be close to the total for 1945. In recent months, there has been a considerable decline in the proportion of income saved. This has more than offset the small decrease in income payments so that there has been an actual net increase in consumer expenditures.

COMMODITY PRICES

The Bureau of Labor Statistics index of wholesale prices showed another slight advance between January and February rising from 107.1 to 107.7 (1926 = 100). The index for February is 2 percent above February 1945, and 34 percent higher than the 1935-39 average. During the past year, prices of both farm and nonfarm products have contributed to the advance. For the war period as a whole, however, the rise in wholesale prices of farm products has been considerably more pronounced than that for non-farm commodities. The 1945 average for all non-farm commodities was 24 percent above the 1935-39 average, while that for farm commodities at wholesale was 69 percent above.

The index of prices received by farmers in February 1946 was 207 (1910-14=100), one point higher than in the preceding month and eight points above February 1945. Between January 15 and February 15, there were sharp increases in prices received by farmers for truck crops, cattle, and cotton, and moderate increases in fruit and grain prices. These increases more than offset a drop in egg prices and minor declines in average prices for tobacco and wholesale milk.

During the next two or three months the index of prices received is expected to average the same as, or a little higher than February. The index for crops is expected to advance while the index for livestock and livestock products probably will show little change. The decline in dairy product prices will be less than seasonal. The index of poultry and egg prices fell from 197 in January to 168 in February. Further moderate declines are expected.

The index of prices, interest, and taxes paid by farmers continued to advance during the month ended February 15 and reached another new 25-year high of 178. This was one point above January and six points higher than a year ago. During recent months, the index of prices paid by farmers for commodities used in family living has increased more rapidly than the index for commodities used in farm production. The aggregate increase in the former during the past 6 months has been seven points while the latter has risen only two points.

The advance in both prices received and paid left the parity ratio in February at 116, the same as a month earlier.

RECONVERSION AND RELATED DEVELOPMENTS IN THE FIRST SIX MONTHS AFTER THE END OF THE WAR

Employment and Unemployment

In interpreting developments in the employment field, particular attention needs to be given to the size and composition of the labor force. The total labor force consists of persons able to work and wanting to work at any particular time. It includes persons in the armed forces, and the difference between the number in the armed forces and the total labor force is termed the civilian labor force. The difference between the civilian labor force and the number employed is the number of unemployed.

The labor force as defined is not a stable figure. It increases, for example, during the summer when students are seeking employment. The force increased sharply during the war, when persons not ordinarily in the labor market sought employment. In July 1945, the total labor force had reached 67.5 million persons; 55.2 million were in the civilian labor force; civilian employment was 54.3 million, and unemployment 1 million. At that time, the number in labor force probably exceeded what would have been a normal peacetime level by about 8 million persons. Between July 1945 and January 1946, the total labor force had declined to 59.9 million, a drop of 7.6 million.

Examinations of the employment and unemployment data indicates, that of the 7.6 million persons leaving the labor force since last July, about 4.5 million were women. The reduction of 1.5 million in the civilian labor force is a net figure, in that it largely represents the difference between the number of civilians leaving and the number of veterans being added to the civilian labor force. A considerable portion of the 6.1 million persons discharged from the armed forces merely shifted from the military to the civilian part of the labor force.

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As a result of this sharp reduction of the number of persons in the labor force, the volume of unemployment increased by only 1.5 million persons between July 1945 and January 1946, while at the same time the drop in civilian employment and the number in the armed forces combined was about 9 million. The general situation is summarized in the following table.

Table 1.-Labor Force, Employment and Unemployment 1/

Year:	Total:	Civi-:	Civilian Employment						Unemployment		
and :	Labor:	Mili-:	lian :	Nonagricultural		Agricultural				:	:
month:	Force:	tary :	Labor:	Total:	Total:	Male :	Fe-	Total:	Male :	Fe-	Total:
:	:	1/	Force2/:	:	:	male :	:	:	male :	:	:
<u>1945:</u>											
Jan.:			51.0	50.1	43.4	27.2	16.2	6.7	5.9	.8	.8
Feb.:			51.4	50.6	43.8	27.3	16.5	6.8	5.9	.9	.9
Mar.:			51.7	50.8	43.5	27.1	16.5	7.3	6.2	1.1	.8
Apr.:			51.9	51.2	43.	26.9	16.5	7.8	6.5	1.3	.8
May :			52.0	51.3	43.4	26.9	16.4	8.0	6.4	1.5	.7
June:			53.1	52.1	43.0	26.8	16.1	9.1	7.0	2.1	1.1
July:	67.5	12.3	55.2	54.3	44.4	27.5	16.9	9.8	7.1	2.7	1.0
Aug.:	66.5	12,160	54.4	53.5	44.5	27.7	16.8	9.0	6.9	2.2	.8
Sept.:	64.8	11,890	52.9	51.2	42.4	26.7	15.8	8.8	6.7	2.1	1.6
Oct.:	63.8	10,640	53.1	51.6	42.8	27.1	15.7	8.8	6.6	2.2	1.6
Nov.:	62.6	9,180	53.4	51.7	43.3	27.8	15.7	8.4	6.4	2.1	1.7
Dec.:											
(pr.):	61.2	7.9	53.3	51.4	44.2	28.7	15.5	7.2	6.0	1.2	2.0
<u>1946:</u>											
Jan.:	59.9	6.2	53.7	51.4	44.7	29.9	14.8	6.8	5.9	.9	2.3

1/ Derived estimate. Total minus civilian labor force.

2/ Excludes institutional population.

The rapid reduction in the labor force appears, on the civilian side, to be largely explained by the return of many women employed in war industries to their homes, the retirement of older men, and the return of some of the younger men and women to school. The return to school also accounts for the failure of considerable numbers of veterans to re-enter the civilian labor force. In addition, some are resting for a period. Consequently, they are neither employed nor unemployed, but are out of the labor force. Doubtless many of these have jobs awaiting them and will not appear in the lists of the unemployed as they will be able to find work whenever they decide to return.

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The number of persons in the armed forces dropped from over 12 million in July 1945 to slightly over 6 million in January 1946. Since a considerable force is likely to be maintained for some time to occupy military zones, the number still to be released in excess of reenlistments and draftees is probably not much more than 3 million. However, the net increase in jobs necessary to give employment to new discharges will be less than the total number discharged, as some will take themselves out of the labor force or release persons now employed who will leave the labor force. Although the civilian labor force and the number of persons reported unemployed will continue to increase, the peak of unemployment is hardly likely to exceed 5 million persons in any month in 1946, and may not exceed 4 million. Barring repercussions of further widespread strikes, the peak of unemployment may be reached in April, with expanding employment more than offsetting releases thereafter. Preliminary estimates for February show that the civilian labor force in that month rose to 54.4 million compared with 53.7 million in January; that employment increased from 51.4 million to 51.7 million; but that unemployment rose from 2.3 million to 2.7 million.

In analyzing the employment situation, it should be noted that persons on strike are not recorded as unemployed. They are in the labor force and have a job, but are not at work. However, strikes particularly in basic industries like coal and steel, have a significant effect on production, and indirect effects on employment in dependent industries. In January, the number separated or having jobs but not at work was about 2.4 million, but only part of these were persons on strike. Even before strikes became numerous, many workers were taking time off. In July 1945, for example, about 3 million members of the labor force were reported as with jobs but not at work.

Production and Income

As anticipated, industrial activity declined with the sharp reductions in armament production. The Federal Reserve Board index of industrial production dropped to 159 (1935-39=100) in January 1946 compared with 211 in July 1945 and 230 in January of that year. There was some recovery between October and November 1945, when the index rose from 162 to 168, but the influence of strikes, particularly in steel, caused a resumption of the downward movement. If the trend toward industrial peace continues, the stage is set for a considerable recovery in industrial production and further rises in trade and construction.

Income payments to individuals have continued at a high level, not far below the wartime peak. Income payments in January were at an annual rate of 155 billion dollars, compared with 163 a year earlier, a drop of only 5 percent. The income of industrial workers dropped about 32 percent between December 1944 and December 1945. The stability of total income payments in the face of this drop in the income of industrial workers is attributable to increased pay rolls in trade, services, and construction; increases in mustering-out payments to discharged servicemen and unemployment compensation.

The weekly earnings of factory workers declined about 11 percent between December 1944 and December 1945. However, this trend is being reversed. Wage rates of many employed persons have advanced and in some cases the increased rates have more than offset reductions in earnings resulting from the loss of overtime. Strikes generally are being settled with wage rate advances offsetting, in part at least, loss of overtime and compensating to some extent for increases in the cost of living. Industrial pay rolls are likely to advance materially as industrial employment increases following settlement of the major strikes. This should offset declines in payments to servicemen, so that income payments in 1946 may be close to the level attained in 1945.

The maintenance of the flow of income payments, together with a decline in the proportion of income saved, has resulted in an actual increase in consumer expenditures. These reached a rate of 111 million dollars a year in the last quarter of 1945 compared with about 101 million in the last quarter of 1944. This high rate of expenditures is reflected in the figures for retail sales. The seasonally adjusted index of retail sales of the Department of Commerce in January was 228 (1935-39=100) compared with 193 in January 1945; while the seasonally adjusted index of department store sales of the Federal Reserve Board in February was 257, nearly 14 percent above the previous high level of 226 in January and over 20 percent above February of last year. New record levels of consumer expenditures are anticipated for 1946.

New Wage-Price Policy

The new wage-price policy is contributing materially to the resumption of industrial activity, and the recovery of industrial payrolls. Advancing price ceilings to cover some part of the wage advances open the road for some further increases along the line. Increases in the prices of steel undoubtedly will be reflected to some extent in the prices of many industrial products into which steel enters. Pending are many proposals for some upward adjustments in prices to permit higher wages or to encourage production. The terms of the settlement of the strike of packing-house workers extend price increases directly with the cost of living. Price adjustments may not advance the average level of nonagricultural wholesale prices or prices to consumers by more than 5 or 10 percent. Expanding production with some curtailment in demand on various accounts, however, may bring a turning point in the general price level in 1947.

Advancing nonagricultural prices will continue the upward pressure on the parity index, perhaps by as much as 5 percent more by the end of the year. Since the prices of some farm products are at ceilings and the ceilings are at or so close to parity, the advance in the prices farmers pay will require a lifting of the ceilings on some farm products or the payment of additional subsidies to provide parity returns to farmers. Ceilings on several important commodities have been at or near parity, and on March 4, ceiling prices for grains were increased as follows: wheat, 3 cents a bushel; corn, 3 cents a bushel; barley, 4 cents a bushel, oats, 2 cents a bushel; grain sorghums, 9 cents a hundred pounds.

Farm Labor and Wages

The return of soldiers and workers from the munitions factories has not yet registered any significant effect upon the farm labor situation. Some men are returning to the farm, but no more than enough to offset the withdrawals from the labor force. Family workers who have returned are replacing women and children and tend to improve the quality and effectiveness of the farm working force. U. S. farm employment as of March 1, adjusted for seasonal, was 82 percent of the 1910-14 average, two points higher than July, 1945, but one point less than a year earlier.

The number of persons engaged in agriculture at the beginning of 1946 was the lowest on record. Although increasing industrial unemployment in the spring months may send more persons back to the farm, increasing nonagricultural employment in the summer and fall months may withdraw more labor from the farm, thus leaving farmers in a position of having to pay still higher wages.

Rising nonagricultural employment and advancing industrial wage rates will continue pressure also to raise farm wage rates. The advance in the average of farm wage rates was checked in the latter months of 1945, but after adjusting for seasonal they are still increasing. The average rate that was being paid as of January 1, 1946, adjusted for seasonal, was 10 points higher than in July and 23 points higher than a year earlier. Raising the ceilings on the prices of some farm products will place some farmers in position to pay a little more to maintain their labor force. Consequently, some further advance in farm wage rates is to be expected -- and without any significant increase in the amount of labor employed on farms.

In summary, the net effect of the settlement of wage disputes, with increasing industrial activity and with the allowance of wage and price increases, will be to raise moderately the income received by farmers from farm products over what was expected a few months ago. If good crops are harvested in the summer and fall, the receipts from the sale of farm products may exceed those of 1945. The cost of production, however, will have increased considerably so that the net income of farm operators from agriculture may not be any higher than, if as high as, in 1945.

FARM INCOME

For the first 5 months in 1946 cash receipts from farm marketings will nearly equal receipts during the same period in 1945. Income from crops is not expected to show any appreciable change over last year. Cash receipts from wheat for January and February were larger than for the same months in 1945 and indications are that income from wheat for the first 5 months in 1946 will be above the same period last year. Receipts from the small cotton crop are expected to show a sharp drop. Cash receipts from livestock and products are likely to show a decline of nearly 5 percent reflecting in part the drop in receipts from dairy products.

In February, it is estimated that total cash receipts were about 1,330 million dollars, nearly the same as for February of last year. The decline of 13 percent from January was due largely to the short month. Cash receipts from livestock probably were about the same as in February 1945, but receipts from crops may be down slightly due mostly to declines in income from cotton and tobacco.

Total cash receipts in March may be about 5 percent above February, reflecting a longer month, but about the same as in March 1945. No significant change is expected in crop receipts in March compared with February, but livestock receipts will probably be higher because of seasonal increases in income from dairy and poultry products.

In April and May, total receipts are likely to remain close to the March level, but may be slightly below the same months in 1945. In May, continued seasonal increases for dairy and poultry products are expected to offset declines for most crops.

LIVESTOCK AND MEAT

Demand for meat will continue strong through the remainder of 1946 with Government purchases for European shipment at least as large as in 1945, and with continuing high incomes of domestic consumers. Meat production probably will continue close to the 1945 level. Prices of all classes of the meat animals probably will be at or near present levels through midyear. Prices and unit returns to producers during the latter half of the year will depend partly on ceiling prices and subsidy programs in effect at that time. Present indications are that without ceilings retail meat prices would advance 15 to 20 percent.

Pork production in 1946 is likely to exceed 10 billion pounds, dressed meat basis. Hog slaughter probably will continue larger than a year earlier throughout the remainder of 1946, with the greatest relative increase occurring in the spring and early summer, reflecting the 12-percent increase in the 1945 fall pig crop over a year earlier. Slaughter during the late fall and early winter of 1946-47 will depend largely on the size of the 1946 spring pig crop, which may be slightly larger than the 1945 spring crop of 52 million head. Hogs will be marketed at lighter weights this summer and early fall than a year earlier, when they were around 40 pounds heavier than average. The reduction in weights will reflect higher prices for corn and other feed grains and smaller supplies of feed grains than a year ago.

Since November, cattle slaughter under Federal inspection has fallen considerably below that of a year earlier, although total slaughter continues at a comparatively high level with a large noninspected kill. The supply of fed cattle for market in the second quarter of the year, although increasing seasonally, may be smaller than a year ago. The number of cattle on feed January 1 was 4 percent smaller this year than last, and shipments of feeder cattle to Corn Belt feeding areas in the first quarter of this year were less than in the same period of 1945.

Supplies of fed cattle for market in the late summer and fall of 1946 promise to be less than a year ago, reflecting smaller supplies of feed grains and other concentrate feeds until the new harvest. Cattle-feeding operations for feeders who purchased cattle last fall for sale during the first 4 months of 1946 have not been as profitable as a year earlier and have been much less profitable than in the preceding two seasons, despite the payment of subsidies on fed cattle. Decreased returns were largely the result of higher prices paid for feeder stock last fall. Prices of feeder cattle continue high. It was announced on March 2 that the 50-cent per 100 pound subsidy paid on higher grade cattle marketed for slaughter will be terminated June 30, 1946. This subsidy had the purpose of encouraging the grain feeding of cattle and the feeding of cattle to heavier market weights.

The number of cattle and calves on hand January 1, 1946 was the third largest on record and the potential supply of cattle for slaughter in 1946 is large. While some decline in numbers of steers and in beef heifers occurred in 1945, most of the 2 million head decline in total cattle numbers was in the number of milk stock. The number of beef cows and heifers on hand January 1, 1946 was an all-time high, indicating that production of cattle for slaughter in the next 2 or 3 years will continue large.

Federally inspected slaughter of sheep and lambs in February totaled 2.2 million head, 52 percent greater than in the previous month and 35 percent greater than a year earlier, to set an all-time high for the month. Prior to February slaughter was less than a year earlier. Large slaughter in February and early March followed the reduced slaughter in January when packinghouse workers were on strike, but was partly a result of the higher rates of subsidy payments on lambs effective February 1. Lamb slaughter beginning in April is likely to be less than a year ago because of a sharp drop in the 1946 lamb crop. The early spring lamb crop was estimated to be 13 percent less than a year earlier and was the smallest in almost 20 years.

DAIRY PRODUCTS

The wide gap between the supply of and demand for dairy products which prevailed during the late fall and early winter has narrowed because of the seasonal increase in supplies. The over-all demand for dairy products will exceed supplies at current prices during the remainder of 1946.

Even though production of milk may be smaller during the spring and summer than in the corresponding seasons of 1945, the reduction in non-civilian takings may more than offset the decrease in production. Supplies of fluid milk and cream during the second and third quarter will be ahead of last year. After accounting for probable exports, domestic supplies of other manufactured dairy products during the flush season may also be larger than last year, even though output will be reduced. But supplies of butter, particularly during the last quarter, will be far short of demand. With no seasonal variation of butter prices under present price ceilings, little storing of butter will occur during 1946. Hence, civilian butter supplies during the last quarter of 1946 may not be much more than half of those during the second quarter.

With sustained strong demand for food continuing, utilization of skim milk will be near record levels. Strong demand will continue for nonfat dry milk solids in large part due to its desirability for export. Demand for other skim milk products will be strong, and little, if any, decline from present prices will occur.

Milk production in 1946 will be below the record of 122.2 billion pounds reached in 1945, primarily because of a decrease in cow numbers. If average weather conditions prevail during 1946, milk production per cow may not be much different than the record high of 4,789 pounds attained in 1945.

POULTRY AND EGGS

Demand for eggs during March was strong and prices were at or near ceiling levels. After a sharp decline occurring in early February, a strong demand for storing purposes and a near-record civilian consumption rate resulted in a contra-seasonal upward movement in wholesale prices in late February and early March.

Prices received by farmers for eggs during the second half of 1946 probably will average moderately below those of the second half of 1945. Production of eggs may be somewhat smaller. But large cold storage holdings and declines in Army procurement will leave more eggs available for civilians.

In order to aid producers in marketing their poultry in the present feed emergency, a chicken price support program was announced by the USDA on March 8. Purchases of dressed chickens (except chickens weighing 3-1/2 pounds or less, liveweight) are to be made so as to reflect a United States average farm price of not less than 90 percent of parity. Currently, this would mean support at a U. S. average of 18.3 cents per pound, with variations for type, weight, and location. In mid-February the average price received by farmers for chickens was 23.1 cents per pound, 114 percent of parity. Since mid-February wholesale prices of chicken have increased, particularly on light weights.

Production of chicken meat in 1946 may be somewhat less than in 1945. The effect on slaughter of a decrease in the number of chickens raised probably will be nearly offset by heavier than usual culling and a reduction in numbers in farm flocks. Commercial broiler output will also show some decline from the 1945 peak. However, with a sharp reduction in military takings and record cold-storage holdings, civilian supplies of chicken meat will not be greatly different from last year. Military takings of chicken meat in 1945 were 250 to 300 million pounds, about one-twelfth of total slaughter.

Prices received by farmers for turkeys during the 1946 marketing season are expected to average moderately below 1945. However, prices received for small turkeys (under 16 pounds) are not expected to be much below the 1945 levels. But, as in prewar years, there probably will be wide differentials between large and small turkeys so that prices received for heavy-weight birds will be substantially below light-weight birds. Civilian supplies of turkeys during the last half of 1946 will be near the record supplies reached in 1945, despite a prospective decline of as much as 10 to 15 percent in production. Extremely large cold storage holdings and reduction in military procurement will nearly offset any decreases in slaughter.

FATS, OILS, AND OILSEEDS

World demand for fats and oils exceeds world supplies. All recent reports indicate that recovery of exports from the Far East and production of animal fats in Europe will be gradual. Fat production in Europe in the 1945-46 crop year is estimated to be materially under the prewar level. Export supplies of fats and oils in 1946 from world surplus-producing areas (North America excluded) are tentatively estimated at less than five and a half billion pounds, about 1 billion pounds more than in 1945 but 4 billion pounds less than prewar.

A moderate increase in civilian supplies of butter in the United States is likely this spring and summer as a result of the seasonal increase in butter production. However, unless butter is stored in sizable quantities during the flush-production season, supplies are likely to become extremely short again next fall and winter. For 1946 as a whole, civilian supplies of all food fats per person--butter, margarine, lard, other shortening and edible oils--probably will be about the same as the 42 pounds consumed last year, with no significant increase in any of the major items. At this level, supplies per person will be 6 pounds below the 1935-39 average and at least 8 pounds below demand at present prices.

Little improvement in supplies of oils and fats for industrial (non-food) use is in prospect before the latter half of the year. Stocks of inedible fats are unusually small. The stringency in linseed oil supplies was intensified in January and February by a slow movement of flaxseed to terminal markets, despite substantial supplies apparently still in country positions. Imports of flaxseed, though expected to increase this year, were small in January and February. Negotiations for shipment of new-crop Uruguayan and Argentine flaxseed were still under way in early March. Exports of copra from the Philippines from September 1945 through February 1946 totaled about 60 million pounds; most of this quantity was shipped in January and February and will reach the United States this spring. Prewar imports of copra and coconut oil from the Philippine Islands averaged 1,064 million pounds annually, in terms of copra. An increasing rate of imports of copra is likely during the remainder of the year, but imports of other industrial fats such as palm oil and tallow may be less in 1946 than in 1945, largely because of Combined Food Board allocations.

CORN AND OTHER FEED

Demand for feed grain and byproduct feeds continued extremely strong during March, as it had been during the past several months. Although total supplies of feed grains are fairly large and total production of byproduct feeds has been at near-record levels, available market supplies have been inadequate to meet the exceptionally strong demand at ceiling prices. Livestock producers in surplus-feed areas generally have adequate supplies of feed grains, but many buyers in other areas are finding it increasingly difficult to obtain feed grain or byproduct feeds.

Supplies of corn and barley per animal unit in the surplus-producing areas are smaller than last year. Consequently, small quantities of those grains are available for shipment to deficit-feed areas. Among the feed grains, only oats are available for shipment from principal producing areas in larger than normal quantities.

The tight corn supply situation is being felt primarily by feed mixers and feeders in deficit areas and by corn processors, since these users depend almost entirely upon commercial supplies. Although grain and byproduct feeds have been moving into commercial channels in rather large volume, intensive competition for those supplies has led to development of unusual trading practices (including barter) which have, in turn, contributed to the tight situation by causing uneven distribution.

In an effort to ease the present tight supply situation and to provide additional food urgently needed in liberated areas of the world, several measures were instituted by the Government during the past month. Production goals for 1946 were revised upward for corn, wheat, grain sorghums, and soybeans. A higher extraction rate for wheat flour is required, and this will reduce the rate of output of wheat millfeeds by about one-third. Inventories and use of wheat in mixed feeds are restricted. Sale or delivery of wheat millfeed is limited to certain classes of distributors and users. Limitations have been placed on receipts of wheat millfeed and its use in the manufacture of mixed feed. Quantities of protein meal that may be handled in any month are limited, and processors are required to set aside specified quantities of their production for directed distribution. Restrictions have been placed on the use of grains in the production of alcohol, distilled spirits, and in fermented malt liquors. Permissible markups on certain sales of corn and processed grain have been revised downward to aid in restoring normal distribution by country elevators and carload sellers.

In early March ceiling prices of the various grains were increased 2 to 5 cents per bushel. These increases were made to allow for increases in the parity price index. Under present legislation ceiling prices must reflect parity. Unit returns from livestock and livestock products (except poultry) continue above average in relation to feed prices following the increase in ceilings.

In general unit returns from dairying, including production payments, were favorable relative to feed prices during the whole of 1945, and are continuing above average even with the increase in grain prices. The hog-corn price ratio was above the long-time average during most of 1945, and during the first two months of 1946. With the higher price ceilings on corn the hog-corn price ratio at times may fall slightly below the long-time average for the month, but probably will be slightly higher than average for 1946 as a whole. Prices of poultry products are below last year. In 1946 poultry product-feed price ratios probably will average 10 to 15 percent below 1945, but near the long-time averages.

WHEAT

As a result of the great demand for wheat, domestic cash prices are expected to continue at about ceiling levels without the usual seasonal decline which ordinarily begins in May. Ceiling prices were increased 3 cents, effective March 4. The adjustment which was necessitated by the advancing parity also includes some cushion to allow for possible further increases in parity in the months ahead.

In the months remaining before the 1946 crops become available, every bushel of wheat that can be spared is needed to reduce starvation in overseas countries. A special committee is appealing to the people of the United States to reduce their consumption so that more wheat and flour will be available for export. On the basis of January 1 stocks of wheat of 689 million bushels, the January-June disappearance for feed and seed at about 90-100 million, and carry-over at 150 million, about 450 million bushels would be available for food in the United States and for exports. The 80 percent extraction rate might reduce domestic food use from 270 million bushels to 250 million, while savings resulting from voluntary consumer conservation would further reduce domestic utilization. If the January-June export goal of 225 million bushels were to be met, it would require a very substantial voluntary reduction in food consumption of wheat over the remaining three-months period. A figure of 150 million bushels was used as the carry-over July 1. It may be difficult to draw the carry-over down to this figure by then, which would be the smallest since the drought years, and compares with 235 million bushels, the 1932-41 prewar average.

Early 1946 world wheat crop prospects are more promising than the reduced 1945 outturn. This may be expected to reduce requirements of importing countries from the all-time record high in the current marketing year, although the requirements still would be considerably above average. Increases in production elsewhere would lessen the extreme reliance upon North American supplies. Most sections in Europe report satisfactory conditions, with early prospects for a crop above 1945, but, because of fertilizer shortage and other difficulties, still below average. Prospects in North Africa are reported as generally favorable. In Australia, where a 140 million-bushel crop was harvested in December, the Government has approved a substantial increase in wheat acreage, for the next crop year and, in Argentina, where a 150 million-bushel crop has recently been harvested, early soil conditions favor increased seedings. In Canada, moisture conditions generally are decidedly better than last year, and in some areas better than for many years. In the United States, most of the winter wheat crop is in good condition. If the winter crop turns out about as indicated in December, around 750 million bushels, only about an average spring wheat crop would be required to result in another billion-bushel total harvest, which would be the fourth of this size in our history. On February 21, Secretary Anderson asked farmers in spring wheat States to increase their acreage goals by about 1 million acres or by 5 percent or more.

The total stated world import requirements of wheat and flour for the year ended June 1946 are over 1,200 million bushels. In the July-December period requirements were largely met. However, in the January-June period world exports are expected to fall short of meeting remaining requirements, of about 780 million bushels, by about 50 percent. In addition to wheat and flour supplies it is estimated that there will be available from the major exporting countries over a million tons of coarse grains which can be used for food largely against wheat requirements. Exports of wheat and flour are largely from North America. Supplies from the Southern Hemisphere countries are below average as a result of smaller than average crops harvested in December 1945 and reduction or virtual elimination of carry-over stocks following the previous season's severe drought.

FRUIT

With sustained strong consumer demand for fresh fruit, prices this spring are expected to continue generally at or near the high wartime levels of the past few seasons.

Terminal market prices for oranges are expected to advance seasonally during the next few months, with the preferred grades and sizes generally at ceilings. Prices for grapefruit also are expected to increase seasonally but more slowly than oranges. They may remain somewhat below ceilings until late in the season, because of the large supplies yet to be marketed. Prices for lemons are expected to advance substantially this spring as warmer weather stimulates demand. Prospects continue favorable for ample supplies of fresh citrus fruits this spring. In addition, large supplies will be available for processing, leading perhaps to a record large canned pack of citrus juices. As in recent years, relatively small exports of fresh citrus will go mainly to Canada.

Apples and pears, the storage stocks of which are fast disappearing, will continue to sell at ceilings, especially fruit of good quality and condition. Demand for strawberries continues strong, with prices at ceilings. Ceiling prices decline seasonally during late winter and spring, however, as the volume of marketings increases. Although supplies are expected to be considerably larger this season than last, they probably will remain far short of demand at ceiling prices.

• TRUCK CROPS

For Fresh Market

Prices received by farmers for most commercial truck crops for fresh market are expected to decline seasonally in April and May, and may average somewhat lower than at the same time last year. In recent weeks the demand for commercial truck crops apparently has become more sensitive to moderate increases in supply or slight deterioration in quality, particularly for Brussels sprouts, cauliflower, celery, peas, peppers, spinach and tomatoes.

Although the new emphasis upon foreign food relief may have stimulated general interest in all foods, it is recognized that fresh vegetables produced in the United States must for the most part seek domestic outlets.

Apparently responding to the encouragement derived from generally high yields last year and the very high prices of recent years, growers are again expanding acreages planted. Estimates of acreage made to date, covering a little more than half the total spring acreage, show an acreage 8 percent more than last year, and nearly one-fifth above average (1935-44). All spring crops except shallots share in the estimated increases in acreage. Production estimates made to date, covering about one-third of the probable spring total, indicate an aggregate production 10 percent larger than in the corresponding period last year.

For Processing

Late February and early March reports from canners and freezers indicated their intentions to contract and plant an acreage of green peas for processing that would be about 4 percent larger than that planted last year. These intentions may be modified before plantings are made, but if they are carried out, and if acreage abandonment and yields are average, production would be at least 7 percent smaller than last year's record tonnage.

Spinach processors in California and Texas, who usually process from one-half to two-thirds of all the spinach commercially produced for processing in the United States, indicate a prospective production this year about 26 percent larger than last year, and 61 percent more than the 10-year (1935-44) average. Most of the prospective increase results from increased acreage planted.

POTATOES AND SWEETPOTATOES

One factor tending to bolster the demand for potatoes is the current publicity boosting potatoes as a partial substitute for cereal grains and bread in the diet. Although potato prices recently have fully recovered from their February declines, it does not seem likely that average prices to farmers for potatoes in April and May will do more than rise seasonally from present levels and probably will continue to average below prices for corresponding periods of last year. Adequate stocks of old-crop potatoes remain in important producing areas. Acreages of commercial early potatoes planted or intended in spring-producing areas show appreciable increases over last year.

In extending the suspension of price ceilings on white potatoes through the first week in April, the Office of Price Administration announced that it might reestablish ceilings on potatoes at any time without prior notice if the OPA decides it is necessary. Price controls on potatoes will automatically be resumed on April 8, if the suspension is not further extended and if the ceilings are not reestablished at an earlier date.

Shipments of 1945 crop potatoes by rail and boat for this season through March 2 total 239,092 cars compared with 217,287 cars for a comparable period last year. Remaining stocks must continue to move into trade channels at a rapid rate as the end of the storage season approaches.

Despite last year's below-average crop, carlot shipments of sweet-potatoes for this season through March 2 total 11,136 cars, some 1,300 cars more than for the previous season to the comparable date. The small stocks now remaining unsold undoubtedly will continue to sell at ceiling prices.

DRY EDIBLE BEANS AND PEAS

Prices received by growers for dry edible beans and peas continue at support levels. Supplies of dry beans will be inadequate for domestic civilians at least until the new crop becomes available, but supplies of dry peas are expected to continue sufficient.

Support prices for 1946 crop smooth dry peas, as announced March 8, 1946 by the Department of Agriculture, will be the same as those for the 1945 crop. This means slightly higher prices than those announced last fall, which were to be 90 percent of the comparable (substitute parity) price as of July 1, 1946. This restoration of support prices to the 1945 level is believed necessary to help achieve the increase of 100,000 acres in the goal for smooth dry peas in 1946. The change in the goal for all dry edible peas from 488,000 planted acres to 588,000 acres, as announced February 21, 1946, was made to provide more food that is critically needed in the world.

WOOL

The President on March 12 recommended to Congress a program designed to place price support to wool growers on a basis comparable with support to other agricultural producers. The program calls for legislative action to (1) establish a comparable price for wool in place of the present parity price, (2) authorize the Commodity Credit Corporation to support prices to wool growers through purchases, loans, or payments in line with the Steagall provisions for support of agricultural commodities. Because of the continuing decline in sheep numbers, it should be provided that no reduction shall be made in the general level of support prices from the 1946 level until the decline in sheep numbers is halted, (3) provide for the sale of domestic

wool at prices competitive with prices of imported wool, (4) make the Marketing Agreements Act of 1937 applicable to wool, (5) provide for the use of customs receipts to make up losses in the Commodity Credit Corporation wool support program, (6) provide for a research and development program to improve wool quality and stimulate its use. The Steagall provisions provide for support of prices at not less than 90 percent of the comparable price for at least two years following official termination of the war. The present program which provides for Government purchase of domestic wool at ceiling prices will expire on November 1, 1946, unless extended.

The number of stock sheep on January 1, 1946, was about 8 percent smaller than a year earlier and a further decline in shorn wool production is in prospect this year. The 1946 production is likely to be about 25 percent smaller than the record 1942 production of 392 million pounds and the smallest production since 1927. Because of reduced slaughter in prospect, production of pulled wool is likely to be smaller than last year's production of 66 million pounds. Production may decline further in the next year or two, but probably at a less rapid rate than in the past 4 years. Breeding sheep numbers have been culled heavily in the past 2 years and prices of sheep and lambs are likely to increase relative to prices of beef cattle and some other competitive farm enterprises in the next year or two.

Stocks of domestic and foreign wool available for commercial use in the United States totaled about 800 million pounds, grease basis, at the beginning of 1946, about 50 million pounds larger than a year earlier. Mills and dealers held 350 million pounds--chiefly foreign wool--at the beginning of 1946 and about 450 million pounds of domestic wool were held by the Commodity Credit Corporation. Since mill consumption of domestic and foreign wool combined this year, is likely to be fully twice as large as the 1946 domestic production, the carry-over of Government stocks into 1947 could be reduced greatly in relation to the 1946 carry-over, if Commodity Credit Corporation selling prices are kept sufficiently attractive in relation to prices of foreign wool, to induce mills to shift largely to the use of domestic wool. Something was done in this direction when Commodity Credit Corporation selling prices were further reduced on February 21. Reductions averaged about 1-1/2 cents per pound, grease basis.

At present, prices of imported wool are determined to a large extent by prices at which the British Joint Organization is selling wool from Australia, New Zealand, and South Africa. These prices will remain unchanged until June 30, 1946. About four-fifths of the present world's exportable surplus of apparel wool is controlled by the British Joint Organization.

COTTON

The low level of prices received by farmers this season relative to the market price of Middling 15/16-inch reflects the large proportion of poor quality cotton in farm marketings and the increase in the differentials for poor qualities. The large proportion of poor quality cotton in farm marketings was caused by bad weather and, to a lesser degree labor scarcity during the picking season, and the widening of the price differentials for low qualities of cotton arises from the large supply of these same qualities. On March 12, 1946, the price of Middling 15/16-inch cotton was 26.62 cents per pound at the 10 spot markets, 31 points above the February 15 price when the price received by farmers for all grades was 23.01 cents per pound.

The rate of domestic mill consumption increased between January and February. If the amount consumed per working day in February is converted to an annual basis it amounts to 9.7 million bales compared with 9.6 bales consumed during the crop year beginning August 1, 1944. Mill consumption for the year ending July 31, 1946 is now estimated at 9.0 million running bales.

In general, consumption of all cotton by domestic mills has been falling off since 1942 while the gross margin between the market prices of cotton and the prices of 17 standard cloth constructions has been fluctuating around the same general level. Average hourly earnings in cotton manufacturing establishments increased from 57.6 cents in September, October, and November 1942 to 70.3 cents in the corresponding months of 1945. Effective February 26 cotton textile ceiling prices were again advanced upward to cover advances in labor and raw cotton costs since August 1945.

Domestic stocks of cotton, all kinds, on hand January 1 totaled about 15.5 million bales, 5.0 million bales of which were in Government hands. If mill consumption for the year ending July 31, 1946 amounts to 9 million bales as now estimated and the carry-over of domestic cotton as of August 1, 1946 will be about 7.9 million bales, a large proportion of which will be poor quality cotton, which compares with 11.0 million bales in the carry-over on August 1, 1945.

Cotton exports in the first 5 months of the 1945-46 season totaled 1,138,736 running bales as compared with 607,284 bales for the corresponding months a year earlier. A total of 1,924,377 bales (excluding small Army exports) were exported in the crop year ended last July. It is now estimated that exports for the year ending with July 31, 1946 will total around 3 and a quarter million bales. Military arrangements are now being made for the use of considerable quantities of American cotton in Japan.

Foreign cotton production and exports of U. S. cotton are up to such an extent that the August 1, 1946 carry-over of all cotton in foreign countries will exceed the August 1, 1945 carry-over despite increases in cotton consumption in foreign countries.

Since 1943 production of rayon filament yarn and staple fiber has increased from 663.1 million pounds to 792.1 million pounds in 1945. In the same period filament yarn production increased from 501.1 million pounds to 623.7 million pounds, the increase in this one segment accounting for most of the increase in the total. From 1943 to 1945, shipment of rayon filament yarns to manufacturers of tire cord and fabric increased from 55.6 to 187.4 million pounds. The 187.4 million pounds consumed in 1945 is the equivalent of 249.8 million pounds of raw cotton, which compares with about 302.6 million pounds of raw cotton used in the manufacture of tires in 1939. Thus, between 1943 and 1945 almost the total expansion in the use of rayon occurred in filament yarn for tire cord.

ECONOMIC TRENDS AFFECTING AGRICULTURE

ANNUAL DATA

ITEM	UNIT OR BASE	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
Industrial Production¹																		
Total	1935-39 = 100	110	91	75	58	69	75	87	103	113	89	109	125	162	199	239	235	203
All manufacturing	"	110	90	74	57	68	74	87	104	113	87	109	126	168	212	258	252	214
Durable goods	"	132	98	67	41	54	65	83	108	122	78	109	139	201	279	360	353	274
Nondurable goods	"	93	84	79	70	79	81	90	100	106	95	109	115	142	158	176	171	166
Minerals	"	107	93	80	67	76	80	86	99	112	97	106	117	125	129	132	140	137
Construction Activities¹																		
Contracts, total	1935-39 = 100	204	160	110	49	44	56	65	96	103	111	125	141	212	289	118	71	118
Contracts, resident	"	213	122	91	32	27	29	52	91	100	110	147	176	218	201	98	39	64
Wholesale Prices²																		
All commodities	1935-39 = 100	118	107	91	80	82	93	99	100	107	98	96	98	108	123	128	129	131
All commodities except farm and food	"	113	105	92	86	88	97	96	98	105	101	100	102	110	118	119	121	123
Farm products	"	138	116	85	63	68	86	104	106	114	90	86	89	108	139	161	162	169
Food	"	126	114	94	77	76	89	106	104	108	93	89	90	105	126	135	133	134
Prices Received and Paid by Farmers³																		
Prices received, all products	1910-14 = 100	149	128	90	68	72	90	109	114	122	97	95	100	124	159	192	195	202
Prices paid, interest and taxes	"	167	160	141	124	120	129	130	127	133	126	124	125	132	150	162	170	174
Parity ratio	"	89	80	64	55	60	70	84	90	92	77	77	80	94	106	119	115	116
Consumers' Price²																		
Total	1935-39 = 100	123	119	109	98	92	96	98	99	103	101	99	100	105	117	124	126	128
Food	"	132	126	104	86	84	94	100	101	105	98	95	97	106	124	138	136	139
Nonfood	"	118	116	111	103	97	97	97	98	101	102	102	102	105	113	116	120	123
Income																		
Nonagricultural payments ⁴	1935-39 = 100	122	110	95	73	70	80	86	101	107	99	106	115	138	171	209	231	236
Cash farm	"	142	113	80	60	67	79	89	105	111	96	99	105	140	192	243	248	283
Income of Industrial Workers ³	1935-39 = 100	134	110	84	58	61	76	86	100	117	91	105	119	169	241	322	329	276
Factory Payrolls ²	"	128	103	78	54	58	74	86	99	118	91	106	122	178	261	356	361	295
Weekly Earnings of Factory Workers²																		
All manufacturing	dollars											23.36	25.20	29.58	36.65	43.14	46.08	44.42
Durable goods	"											26.50	28.44	34.04	42.73	49.30	52.07	49.08
Nondurable goods	"											21.78	22.27	24.92	29.13	34.12	37.12	38.30
Employment																		
Total civilian ⁵	Mil. persons	46.4	44.2	41.0	37.3	37.5	39.9	41.2	43.2	44.9	42.9	44.2	46.6	49.1	52.1	52.4	51.8	51.6
Nonagricultural establishments ²	"	31.1	29.0	26.1	22.9	23.1	25.4	26.6	28.8	30.6	28.7	30.4	31.8	35.7	38.4	39.7	38.7	37.0
Farm ³	"	11.3	11.2	11.2	11.1	11.0	10.9	11.1	11.0	10.9	10.8	10.7	10.6	10.4	10.4	10.3	10.0	9.8
Government Finance (Fed.)⁶																		
Receipts, net	Mil. dollars						291	321	364	483	471	410	486	737	1,367	2,880	3,702	3,837
Expenditures	"						607	557	770	646	675	740	805	1,588	4,668	7,340	5,097	7,546

Sources: ¹Federal Reserve Board; indexes of construction converted to 1935-39 base. ²Dept. of Labor, ELS. ³Dept. of Agriculture, B. A. E. To convert prices received and prices paid interest and taxes to 1935-39 base, multiply by .93110 and .78125 respectively. ⁴Dept. of Commerce. ⁵Dept. of Commerce estimates through 1939. From 1940 through 1945, Dept. of Commerce estimates adjusted by B. A. E. on basis of recent revisions in Bureau of Census estimates. ⁶Dept. of Treasury. Data are on average monthly basis.

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: DEMAND AND PRICE SITUATION APRIL 1946 :
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: ERRATA - Page 5 :
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: Last sentence of first paragraph :
: should read: "... the average number of :
: persons looking for work during the second: :
: quarter may not exceed 3,500,000 or :
: approximately 5 percent of the total :
: labor force." :
:
: Second sentence of second paragraph :
: should read: "... The monthly average :
: value of exports dropped from a peak of :
: \$1,135,000,000 in May 1945 ..." :
:
:

